

Corporate Credit Card Programs (Download)

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Most organizations contract with a credit card provider for employees to make company-related purchases of goods and services via corporate or purchasing cards. I'll review two types of corporate credit card programs: corporate card with personal liability and corporate card with company liability.

Corporate Card with Personal Liability

This program requires an organization to contract with a credit card provider to have cards issued in the company name. However, the liability for payment is the personal responsibility of the employee.

Particularly in the US, this is the most popular model. The corporate organization signs an agreement with the credit card provider, but the payment liability is the responsibility of the individual employee. In this model, the traveler receives a monthly statement from the credit card company and is responsible for payment to the credit card provider.

It is important to understand that company liability still does exist. Once a credit card bill becomes past due, the provider continues to pursue reimbursement via the employee. After 120 days, however, the credit card provider writes off the unpaid amount and deducts it from the company's incentive rebate.

Trends

- The company pays the credit card provider on behalf of the employee. In SAP Travel Expense, electronic receipts can be automatically flagged as **paid by company**. Reimbursement may be split

between the credit card provider's vendor account and the employee for out-of-pocket cash expenses. This practice allows tighter control of payment to the provider, which ultimately enhances the company's ability to negotiate rebates from the provider.

- The Sarbanes-Oxley Act has driven many US customers to evaluate their existing business processes to enable the internal controls for management of travel expenses and the enforcement of the travel policy. For example, if the travel policy states that the corporate credit card cannot be used for personal purchases, the company should have a business process in place for enforcement and to identify the violators for further action/audit. A simple way to achieve best practice/compliance is to create a report when the credit card file is imported into the SAP system. The organization identifies which types of merchants are against company policy based on the merchant category code on the credit card file. The organization runs a report to identify the violators and sends an email to the employee or manager.

The Standard Industry Code/Merchant Category Code (SIC/MCC code) is a four-digit, numeric identifier of merchant business types. There are thousands of these codes. All merchants that accept credit cards are identified under a specific SIC/MCC code that is unique to their type of service (i.e., airlines, hotels, car rentals, department store, restaurant). These codes can be useful in support of a company's enforcement of its travel policy. If the travel policy states that the company card

cannot be used for entertainment at certain establishments, then the company can prohibit the use of the card via SIC/MCC (i.e., at the point of purchase, the charge is denied).

Another approach is to run a report from the credit card file feed by specific SIC/MCC codes to identify the employee and the purchase for further auditing. This option affords the enforcement of not using the credit card for personal purchases.

- The management of receipts and the storage requirements can be paper-intensive for a company. The IRS allows the use of electronic receipts via a credit card feed as sufficient documentation, eliminating the copying, mailing, and storage of all credit card receipts (an IRS Letter of Intent is required). One exception is the hotel folio receipt. Currently, the majority of hotels cannot provide itemized hotel folios via the credit card feed. Therefore, the IRS still requires a paper copy of this receipt.
- Companies can achieve tighter fraud prevention by implementing mechanisms that restrict the employee's ability to alter a receipt (amount can be lowered, but not increased), or delete a receipt (flexible option).

Best Practices

- Change employee behavior by implementing credit card clearing, which puts processes in place to prevent fraud, enforce the travel policy, and target potential violators. It also reduces the amount of time and effort for employees to complete an expense report.

- Credit card data is the most robust consolidated data available today. This data is critical for the travel manager's efforts to conduct meaningful negotiations with airlines, hotels, and car rental companies. By using credit card clearing with SAP Travel Expense, a travel manager has instant access to real-time data for spend analysis on a worldwide basis.
- Eliminate all paper documentation by implementing bar coding and receipt imaging of all non-electronic/paper receipts.

Corporate Card with Company Liability

The corporate card with company liability — for travel expenses or purchases — is identical to the corporate card with personal liability, with one exception: liability for payment is placed on the company instead of the employee. The same trends and best practices apply to both models. Companies can enhance credit card rebate negotiations, however, by leveraging the guaranteed, on-time payment.

BTAs, Ghost Cards, and Lodged Cards

BTA, ghost card, and lodged card are regional name variants for the type of credit card account used for the purchase of airline tickets and hotel room blocks for meetings and conventions. Companies prefer this type to enforce the use of the preferred travel agency, for better management of unused airline tickets, and to eliminate the need to reimburse the employee twice (once for the purchase of the airline ticket and again when the trip is actually taken). For example, if the company wants to encourage employees to purchase airfares in advance for the most cost savings, the company pays the charge directly.

A company might have corporate/personal

liability cards issued to the traveler for hotels, car rentals, and meals, and have all airline tickets billed to a separate account (BTA, ghost card). The individual employee does not hold a physical card, known as walking card, for this account. The liability is placed with the company instead, and the provider bills the company monthly.

AirPlus and American Express offer expanded capability for the management of the BTA/ghost card with SAP. A detailed invoice control can take place. Amounts posted from travel expense reports to a reconciliation account in FI can be automatically cleared with the amounts uploaded from the Air Plus/American Express invoice files. Organizations can create a similar scenario with another credit card provider; however, it is not currently supported by SAP.

Trends

- Use this form of payment for air travel to encourage employees to book in advance, maximizing cost savings and improving enforcement of the travel policy.
- The employee is free from financial and accounting burdens. The credit card bill is due before the trip has passed and an expense report completed. Also, it eliminates the need for a second expense report (resulting in fewer required approvals and audits).
- Manage tracking of unused tickets better with data capture in the expense report and analytical capabilities.

Best Practices

- Air travel usually represents 40 to 45 percent of the overall Travel and Entertainment (T&E) expenses, giving it the greatest potential for fraud. For example, an employee might purchase a ticket for a family member and include it on an expense report. The data available from the credit card feed contains the name of

>>Tip!

Employees commonly change their purchasing behavior once they know that the organization is tracking and identifying policy violations.

the traveler. As the travel agency controls the card charges, it makes it very difficult to continue this type of fraud.

- Advance purchase of tickets can reduce airfare costs by as much as 50 percent.
- Online booking helps enforce additional travel policy and preferred vendor controls.

Purchasing Cards

For efficiency, an employee might need a purchasing card for multiple reasons, such as approvals, reduction of paperwork, consolidated reporting, cost assignment, financial reconciliation. For example, a field technician may not travel, but needs to purchase supplies for the services provided to a customer while in the field. The organization wants to control the authorized merchant, amount of the purchase, and types of purchases. The organization can control purchases by setting controls around the type of card utilized. For example, with a travel expense card, an employee may not be able to make a purchase at a department store, but another employee with a purchasing card might. Purchasing cards or so-called “p-cards” always carry corporate liability for payment.

Trends

- Separate from traditional procurement, many organizations provide employees with a purchasing card in addition to their corporate card for travel and expense. Subsequently, credit card providers also provide a one-card solu-

tion that aggregates travel, purchasing, BTA/ghost, and fleet merchant purchases into one single file or statement.

- One key differentiator for a one-card solution is the responsible payer is the corporate organization versus the employee. A one-card solution can set spending controls on the purchase amount and the types of suppliers from which they are authorized to make a purchase for a specific spending category.

Best Practices

- Eliminate the confusion created when the employee must decide which card should be used for a purchase (purchasing card or the T&E card). A one-card solution locks in this process via the credit card provider.
- Enforce the travel policy for the purchasing card usage of preferred suppliers, improving your vendor negotiations and Sarbanes-Oxley compliance.
- Investigate the credit card provider’s ability to feed a single file to mySAP ERP to accommodate both travel and purchasing card transactions. ■



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